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QUINTE MILK PRODUCTS,
Limited

and its wholly owned subsidiary,
QUINTE CREAMERIES, LIMITED



**Fortieth
Annual Report
and
Financial Statements**

for the fiscal year ended
DECEMBER 31st, 1968



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NOTICE OF
ANNUAL GENERAL MEETING

TAKE NOTICE that the Annual General Meeting of the Shareholders of the Company will be held in Toronto, Ontario, at the King Edward Sheraton Hotel, Board Room #2, on Wednesday, the 12th day of March, 1969 at the hour of 2:00 o'clock in the afternoon, for the purpose of receiving and considering the Report of the Directors of the Company and the Consolidated Balance Sheet, Consolidated Statement of Income and Retained Earnings, Consolidated Statement of Source and Application of Funds and Auditors' Report for the past year, electing Directors for the ensuing year, the appointment of Auditors and the transaction of such other business as may properly come before the Meeting.

DATED this 14th day of February, 1969.

By order of the Board,

R. A. LENNOX,
Secretary.

DIRECTORS' REPORT

For the year ended December 31st, 1968

TO THE SHAREHOLDERS:

Your Directors submit with this report, the Consolidated Financial Statement of your Company for the year ended December 31st, 1968, together with the report of the Auditors to the Shareholders.

Loss for the year in the amount of \$41,030 is some \$11,800 greater than the previous year and it should be noted that over 80% of this loss occurred in the first half of the year before the effect of the adjustments of planned renovations and re-equipping could be realized.

Operations near the breakeven point in the second half reflect the fact that the downward trend has been arrested and the second phase of the program of diversification authorized by your Directors now underway should result in a restoration of earnings.

Building upon the base established in 1968 it is the intention of management to complete the transformation of operations from an industrial base to a near totally food oriented product line and take maximum advantage of dollar sale and gross margins.

The objectives of this program will be attained during the ensuing year and it is anticipated that results will reflect a favorable position by the end of the year.

Included with this report is a notice calling the Annual General Meeting of the Shareholders to be held on March 12, 1969. Holders of Common voting shares who are unable to be present at the Meeting are requested to sign and return the enclosed proxy.

The Directors again express their appreciation to the staff for the loyal and capable manner in which they have discharged their duties during the year.

On behalf of the Board,

E. W. McLeod,
President.

Wellington, Ontario.
February 14th, 1969.

QUINTE MILK P

(Incorporated under the laws of the State of New York)

and its wholly owned subsidiaries

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1968 (with comparative figures at December 31, 1967)

ASSETS		1968	1967
CURRENT ASSETS			
Cash		\$ 25,297	\$ 3,477
Guaranteed investment certificates		150,000	150,000
Accounts receivable		90,725	106,191
Chattel mortgages receivable			8,163
Income taxes recoverable			3,769
Inventories of finished goods at estimated cost and raw materials and supplies at the lower of cost and replacement cost		53,968	53,501
Prepaid expenses		5,167	9,440
		<u>325,157</u>	<u>334,541</u>
OTHER ASSETS			
Life insurance, cash surrender value			5,470
Deposit on machinery			37,511
			<u>42,981</u>
FIXED ASSETS (note 1)			
Land, buildings and equipment		1,055,795	854,628
Less accumulated depreciation		688,921	657,596
		<u>366,874</u>	<u>197,032</u>
PROCESSES AND LEASES, at nominal value		1	1
		<u>\$692,032</u>	<u>\$574,555</u>
LIABILITIES			
CURRENT LIABILITIES			
Bank advances, secured by hypothecation of guaranteed investment certificate of \$50,000			\$ 25,000
Accounts payable and accrued liabilities		\$ 55,562	76,055
Principal instalments due within one year on long-term debt		25,000	
		<u>80,562</u>	<u>101,055</u>
LONG-TERM DEBT (note 2)		<u>212,000</u>	<u>33,000</u>
SHAREHOLDERS' EQUITY			
CAPITAL STOCK			
Authorized			
50,000 Participating Class A non-voting shares without par value carrying a non-cumulative preferential dividend up to 60¢ per share per annum			
10,000 Common shares without par value			
Issued			
50,000 Class A shares)		244,843	244,843
9,625 Common shares)			
RETAINED EARNINGS		154,627	195,657
		<u>399,470</u>	<u>440,500</u>
Approved by the Board:		<u>\$692,032</u>	<u>\$574,555</u>
W. H. JOLLIFFE, Director			
J. M. KRUMMEL, Director			

PRODUCTS, Limited

(In accordance with the laws of Ontario)

Wholly owned subsidiary

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
Sales	\$1,551,683	\$1,508,875
Cost of goods sold	<u>1,160,387</u>	<u>1,174,225</u>
	391,296	334,650
Expenses		
Manufacturing	283,328	244,343
Merchandising	37,284	34,825
Administrative	<u>25,667</u>	<u>29,462</u>
	346,279	308,630
	<u>45,017</u>	<u>26,020</u>
Other income		
Interest	8,487	8,727
Rent	2,400	2,400
Profit on sale of fixed assets	<u>4</u>	<u>772</u>
	10,891	11,899
	<u>55,908</u>	<u>37,919</u>
Other expenses		
Management and directors' remuneration	27,833	30,575
Interest on long-term debt	10,750	
Depreciation	52,685	36,554
Retirement allowance	<u>5,670</u>	
	96,938	67,129
LOSS FOR THE YEAR	41,030	29,210
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>195,657</u>	<u>224,867</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 154,627</u>	<u>\$ 195,657</u>

QUINTE MILK PRODUCTS, Limited

and its wholly owned subsidiary

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Operations		
Depreciation which does not involve a current outlay of funds	\$ 52,685	\$ 36,554
Deduct loss for the year	41,030	29,210
	<u>11,655</u>	<u>7,344</u>
Sale of fixed assets	1,371	4,403
Life insurance, cash surrender value	5,670	
Proceeds from long-term debt	179,000	33,000
	<u>197,696</u>	<u>44,747</u>
APPLICATION OF FUNDS		
Additions to fixed assets	186,387	38,765
Deposit on machinery		34,511
Life insurance, cash surrender value	200	180
	<u>186,587</u>	<u>73,456</u>
INCREASE (DECREASE) IN WORKING CAPITAL	11,109	(28,709)
WORKING CAPITAL AT BEGINNING OF YEAR	233,486	262,195
WORKING CAPITAL AT END OF YEAR	<u>\$244,595</u>	<u>\$233,486</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1968

1. FIXED ASSETS

	1968		1967	
	Asset Value	Accumulated Depreciation	Asset Value	Accumulated Depreciation
Land	\$ 14,275		\$ 14,275	
Land improvements	2,234	\$ 421	2,234	\$ 345
Buildings	157,415	82,345	141,196	77,887
Machinery and equipment	806,599	547,052	619,841	520,460
Automotive equipment	75,272	59,103	77,082	58,904
	<u>\$1,055,795</u>	<u>\$688,921</u>	<u>\$854,628</u>	<u>\$657,596</u>

Fixed assets are valued at depreciated replacement value as per appraisal of The Canadian Appraisal Company, Limited dated September 29, 1928 with subsequent additions at cost.

In prior years the method of charging depreciation was on the diminishing balances at maximum rates as allowed by the income tax department. Full depreciation was taken in the year of acquisition and no depreciation was taken in the year of disposal. This policy has been followed consistently except for certain major equipment acquired in 1968 and put into production in the middle of the year. These acquisitions were depreciated at the normal rates for one half of the year. This results in the charge for depreciation for the current year being reduced by approximately \$18,900 and the loss for the year reduced by the same amount.

QUINTE MILK PRODUCTS, Limited

and its wholly owned subsidiary

Notes to Consolidated Financial Statements—Continued

2. LONG-TERM DEBT

	<u>1968</u>	<u>1967</u>
Loan, Bank of Nova Scotia, repayable \$25,000 annually commencing in 1969, secured by hypothecation of guaranteed investment certificates and assignment of book debts	\$175,000	\$33,000
Debenture, Ontario Development Corporation, non-interest bearing, forgivable, at the option of the lender, 10% annually for the next five years with the balance forgivable in 1974	62,000	
	<u>237,000</u>	<u>33,000</u>
Less principal instalments included in current liabilities	25,000	
	<u>\$212,000</u>	<u>\$33,000</u>

3. INCOME TAXES

Loss carry forward on a tax filing basis, deductible in determining income taxes up to:	1971	\$ 35,930
	1972	27,433
		<u>63,363</u>
Excess of undepreciated capital cost over net book value of depreciable fixed assets at December 31, 1968:		54,723
		<u>\$118,086</u>

The tax effect of this \$118,086 has not been recorded in the accounts.

4. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Corporations Act) amounted to \$45,762 (\$45,912 in 1967).

5. COMPARATIVE FIGURES

The 1967 figures have been reclassified on the basis of 1968 presentation.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
QUINTE MILK PRODUCTS, LIMITED.

We have examined the consolidated balance sheet of Quinte Milk Products, Limited and its wholly owned subsidiary as at December 31, 1968 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Kingston, Ontario.
January 10, 1969.

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation by Management of proxies to be voted at the Annual General Meeting of the Shareholders of Quinte Milk Products, Limited to be held on March 12th, 1969. Proxies may also be solicited by Directors and/or Officers of the Company at nominal cost. The Company will bear the cost of solicitation of proxies by Management.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are Directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO EITHER BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY AND, IN EITHER CASE, DELIVERING THE COMPLETED PROXY TO THE SECRETARY OF THE COMPANY.

A Shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to the Secretary of the Company, or (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to the Secretary of the Company or the Chairman of the meeting.

EXERCISE OF DISCRETION BY PROXY

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR THE APPROVAL OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS, FOR THE ELECTION OF DIRECTORS, THE APPOINTMENT OF AUDITORS AND OTHER BUSINESS TO BE ACTED UPON AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular, the Management of the Company knows of no such amendment, variation or other matters to come before the meeting other than the matters referred to in the Notice of Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

On December 31, 1968 the Company had outstanding 50,000 Participating Class A Non-voting Shares without par value carrying a non-cumulative preferential dividend up to 60¢ per share per annum and 9,625 Common Shares without par value. Only the holders of the Common Shares are entitled to vote at the Meeting of Shareholders, each Common Share carrying the right to one vote. Principal Shareholders of the Company are Horlicks Limited of Slough, Bucks., England, which holds 12,824 Class A Shares and 5,974 Common Shares and Mr. W. H. Jolliffe, a Director of the Company, who holds 4,260 Class A Shares and 1,769 Common Shares. Apart from the above, the Directors and Senior Officers of the Company do not know of any person or company beneficially owning, directly or indirectly, more than 10% of the Class A or 10% of the Common Shares of the Company. Shareholders of record holding Common Shares of the Company at the time of the Meeting will be entitled to attend and vote at the Meeting.

ELECTION OF DIRECTORS

The Board consists of five Directors and the following are Management's nominees for election to the Board with information concerning them:

Names of Directors:	Principal Occupation or Employment during past five years and organization in which such employment is carried on:	Director Since:	Shares owned beneficially at February 14th, 1969:
A. D. CLARK	Vice-President and Director (Retired). Prior to Dec. 31, 1967 he was Vice-President of Maple Leaf Mills Limited.	1957	150 Common
W. H. JOLLIFFE	Director (Retired). Elected Oct. 3, 1928; resigned March 8, 1937; re-elected April 17, 1946.	1946	4260 Class A 1769 Common
J. M. KRUMMEL	Director. Executive Vice-President Horlicks Corporation, Racine, Wisconsin.	1967	9 Common
E. W. McLEOD	President and Director. From Nov. 5, 1965 to Feb. 15, 1966 with the Department of Agriculture of the Government of Alberta. Previously Plant Manager of Palm Dairies Limited of Edmonton, Alberta. Vice-President of Operations with Quinte Milk Products, Limited from 1966 until his election as President Feb. 24, 1967.	1966	50 Class A 1 Common
W. RALPH SALTER, Q.C.	Director, Partner Salter, Reilly, Jamieson & Apple, Solicitors, Toronto, Ontario.	1930	50 Class A 12 Common

The term of office of each Director elected will be from the date of the meeting at which he is elected until the Annual Meeting next following or until his successor is elected or appointed.

Proxies received pursuant to this solicitation will be voted for the election of the above-named nominees. If for any reason any such nominee should not be available for election, such proxy will be voted in favour of the remaining nominees and may be voted for a substitute nominee or nominees in the place of those who are not candidates. Management has no reason to believe that any of these nominees will fail to be candidates at the Meeting and does not at this time have any substitute for such nominees.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration paid by the Company in 1968 to the Directors and Senior Officers of the Company, as defined by the Corporations Act, amounted to \$45,762, (\$45,912) in 1967.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of Proxy intend to vote for the reappointment of Thorne, Gunn, Helliwell & Christenson, Chartered Accountants, as Auditors of the Company to hold office until the next Annual Meeting of Shareholders and to authorize the Directors to fix their remuneration. The said firm and its predecessor, Thorne, Mulholland, Howson & McPherson, have been Auditors of the Company for more than five years.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

The Management knows of no other matters to come before the Annual General Meeting of Shareholders other than as set forth in the Notice of Meeting. However, if other matters which are not known to the Management should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the judgment of the person or persons voting the proxy.

By Order of the Board of Directors,

R. A. LENNOX,
Secretary.

February 14, 1969.

QUINTE MILK PRODUCTS, LIMITED

(Ontario Incorporation March 1, 1928)

HEAD OFFICE AND PLANT WELLINGTON, ONT.

OFFICERS

E. W. McLEOD *President*

A. D. CLARK *Vice-President*

R. A. LENNOX *Secretary-Treasurer*

DIRECTORS

A. D. CLARK TORONTO, ONT.

E. W. McLEOD PICTON, ONT.

W. H. JOLLIFFE TORONTO, ONT.

W. R. SALTER, Q.C. TORONTO, ONT.

J. M. KRUMMEL RACINE, WISC.

Shares Listed - The Toronto Stock Exchange - October 17, 1944

Participating Class "A" Non-Voting Shares - QMPA

Common Shares - QMP

Transfer Agents and Registrars

CANADA PERMANENT TRUST COMPANY

1901 YONGE ST.

TORONTO

Bankers

BANK OF NOVA SCOTIA

Auditors

THORNE, GUNN, HELLIWELL & CHRISTENSON

KINGSTON

Solicitors

SALTER, REILLY, JAMIESON & APPLE

TORONTO